

Declining Enrollment Proposal

Issue

Nearly 60 percent of the state's school districts are experiencing declining enrollment under current revenue limits, which in some cases has resulted in reductions to existing programs, particularly in small, rural districts throughout the state. While the current 75 percent declining enrollment exemption under revenue limits provides some temporary assistance, it is arguably not enough. While many districts are making difficult fiscal decisions under revenue limits, there is near consensus that districts with declining enrollments are in the most critical condition as some face the possibility of eliminating core educational programs and continued staff lay-offs.

Further, it is important to note that a higher percentage of rural districts are experiencing declining enrollment than are urban or suburban districts.

Proposal

Maintain the current 75 percent declining enrollment hold harmless non-recurring exemption for revenue limit purposes, but change it to a **recurring** exemption that districts would be able to build into their revenue limit calculation in future years.

Impact

- The proposal would provide additional revenue limit authority in future years to all districts experiencing declining enrollment by allowing them to “keep” the current 75 percent hold harmless exemption they receive now but are not allowed to “keep” in a future year.
- The proposal would not change the current revenue limit membership (enrollment) calculation as it would maintain the three year rolling average calculation and continue to use actual membership numbers.
- The proposal would not impact increasing enrollment districts.
- If the proposal would have been in effect this year, it would have benefited roughly 250 of the state's 426 school districts, many of which are in rural areas.

State/Local Fiscal Effect:

- No direct state (aid) fiscal effect.
- Locally, effective in 2006-07, it is estimated that on a statewide basis, declining enrollment districts would receive roughly \$25-30 million more in additional revenue limit authority than would be allowed under current law.
- The “value” of the current 75 percent declining enrollment hold-harmless exemption has been approximately \$28 million the past few years when measured on a statewide basis. NOTE: Declining enrollment districts with below average property values that receive this exemption, to the extent they “spend” these additional revenues, would incur additional eligible shared costs that would be aidable in the following year by the state general equalization aid formula.